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Kohnert, Dirk

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The Brexit hammer : repercussions for the US and transatlantic relations in times of Corona

Dirk Kohnert ¹

‘Brexit hammer: Clowns in UK, USA’



Cartoon : Paresh Nath ²

Abstract: The global revival of economic nationalism and protectionism poses a serious threat to the international foreign trade policy orientation towards principles of a market economy. Popular economic nationalism such as Trumpism, Brexit or the isolation of the Eastern European Visegrád states from immigrants violates fundamental principles of the WTO. Economists agree that Brexit will hurt the UK economy significantly in the medium and long term. In addition, its political and economic effects will damage the US and transatlantic relations. British Prime Minister Boris Johnson, on the other hand, continues to claim that leaving the EU will enable Britain to "take back control". In addition, the socio-economic effects of the Corona crisis on the US, UK, EU and transatlantic relations are devastating. It has far-reaching political, social and economic consequences that go well beyond public health. All partners need each other more than ever to cope with the Covid crisis. Increased transatlantic cooperation to strengthen resilience would also be necessary in closely related areas of international relations and security issues.

Keywords: [Brexit](#), [COVID-19-pandemic](#), [Corona](#), [economic growth](#), [USA](#), [United Kingdom](#), [transatlantic relations](#), [international trade](#), [free trade area](#), [customs union](#), [Anglosphere](#)

JEL-code: F13, F15, F22, F52, F68, I14, N1, N40, O24, O5, Z13

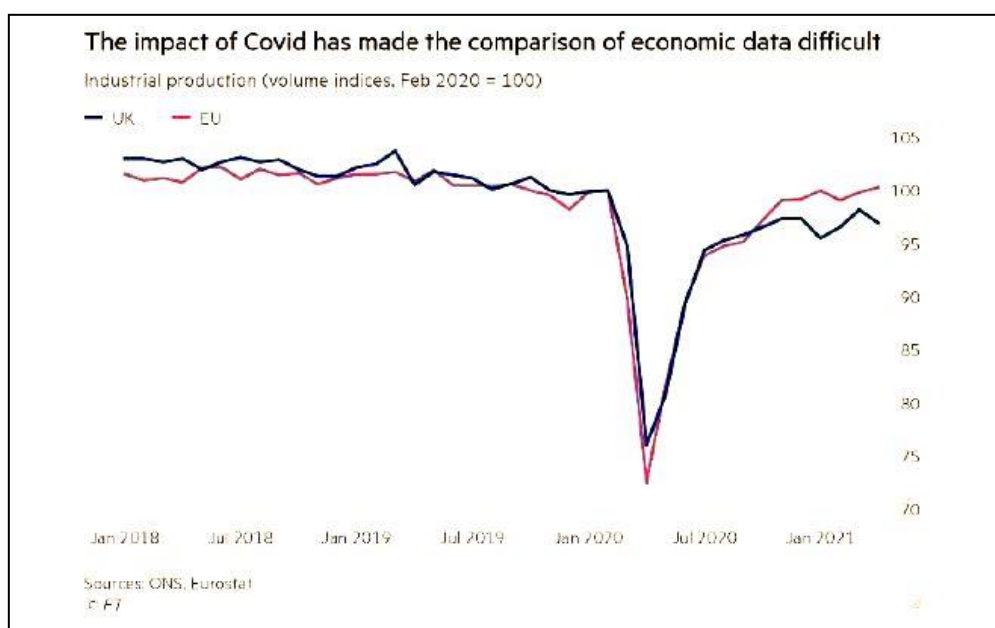
¹ Dirk Kohnert, deputy director (retired) of the Institute of African Affairs, [GIGA](#), Hamburg. Draft: 23 August 2021.

² "Brexit hammer: Clowns in UK, USA", published 6 July 2016. Cartoonist: [Paresh Nath](#), [politicalcartoons.com](#). Paresh Nath is the chief cartoonist for India's *National Herald*, and his cartoons are syndicated in the United States by *Cagle Cartoons*.

1. Introduction

The British voted 52 % to 48 % in favour of leaving the European Union (EU) in a referendum on 23 June 2016. The [Brexit](#) rules in force since 31 January 2020 are likely to hurt the British economy in the medium and long term according to most economists and economist literature. Since the expiration of the transition period on 31 December 2020, the [United Kingdom](#) (UK) is no longer part of the [European Union Customs Union](#) and the [European Single Market](#). Yet, the full scale of the damage, hitting trade and deepening labour shortages, is still uncertain, because the impact is overloaded by the economic effect of the [Covid-19 pandemic](#) (Giles, 2021).

Graph 1: Brexit impact on UK industrial production, 2018 – 2021



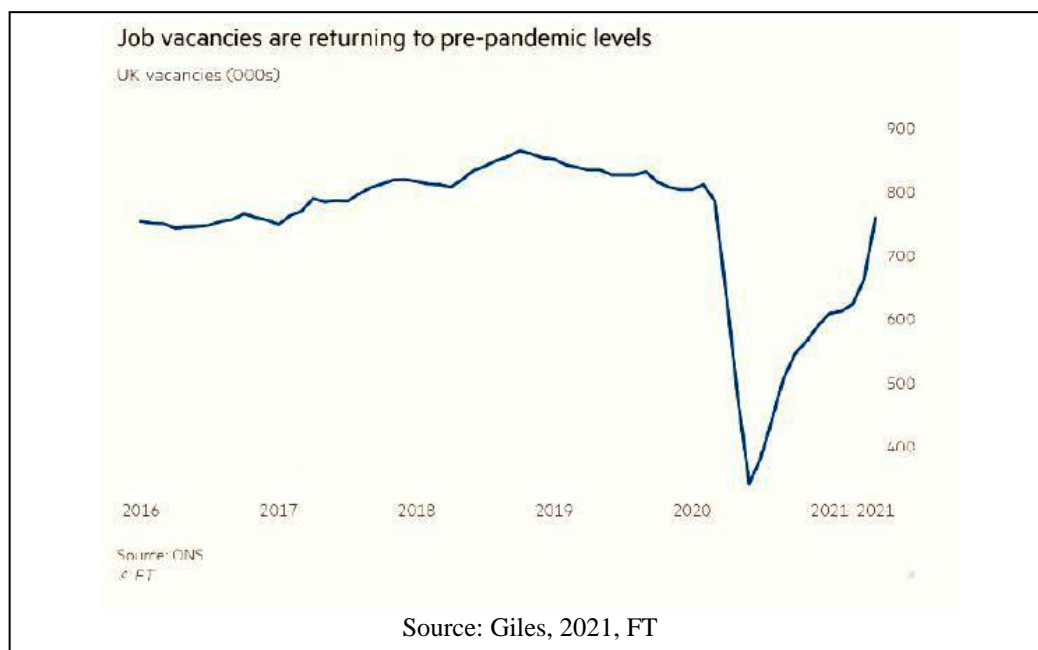
The Brexit effects became visible first concerning the trade in goods. But the estimated impact depends largely on which statistics are used. According to the UK's [Office for National Statistics](#) (ONS), exports to the EU were 5 % lower in April 2021 than last December but cut by 24 % when measured by [Eurostat](#) over the same period (Giles, 2021). Likewise, the value of imports of trade in goods from the EU to the UK was 19 % down over the same period, according to the ONS, while Eurostat recorded only a 13 % decline.

Brexit induced deregulation could benefit businesses only to a limited extent because the UK had already the second-lowest value of the OECD Product Market Regulation and held the 6th position in the World Bank's Doing Business ranking. The regulation of network industries was the least restrictive among OECD countries (Kierzenkowski et al 2016).

Yet, economists generally agree about the [long term Brexit effects](#), e.g about a reduction of British GDP by about 4 %, compared with remaining inside the EU. For the years to come, much depends on the degree of supply chain ruptures between Britain and the EU-27 as well as the extent to which the UK becomes less attractive to investors.

Moreover, the new restrictions concerning labour movement, introduced with Brexit, limiting the rights of EU citizens to come and work in Britain, raised concerns about labour shortages (Giles, 2021). Though, here again, it is difficult to differentiate. Labour shortages resulted from an impact mix of the [Covid-crisis](#) and Brexit. There were similar trends observed in other EU countries which suggested that it was not solely a Brexit effect. Employers had to realize in some sectors such as social care that the times when they could expect labour to be freely available were over and that on the contrary, they needed to pay more to ensure available staff (Giles, 2021).

Graph 2: Brexit impact on UK job vacancies, 2016 – 2021



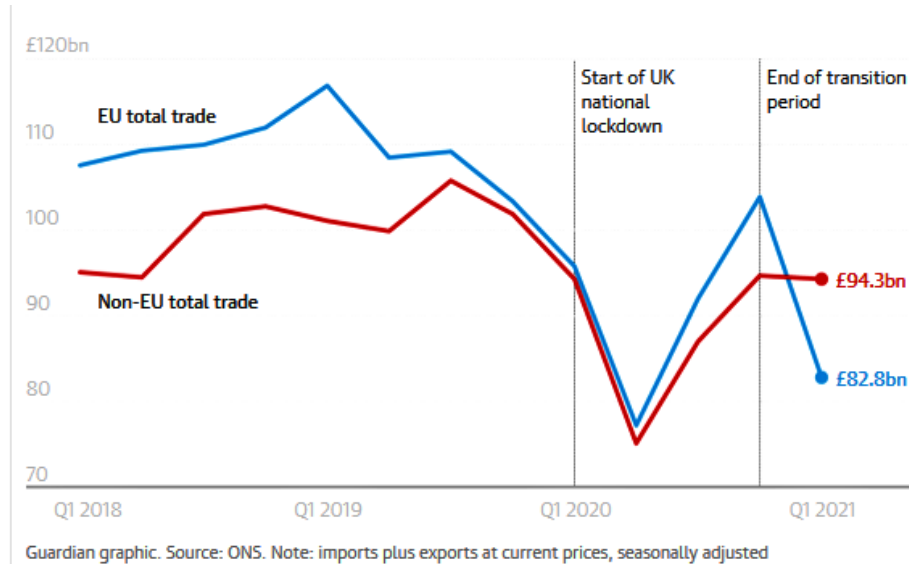
Advocates of Brexit like Premier [Boris Johnson](#) claimed that leaving the EU would enable Britain to “*take back control*.” But then, the benefits of Brexit for the UK are not evident either. London rapidly rolled over many trade agreements with countries that already had dealt with the EU. The then foreign affairs minister, [Boris Johnson](#), promised already before the Brexit vote in 2016 a ‘*titanic success*’ of the envisaged [CANZUK](#) union with the former white settler colonies of the British empire, meant to replace the lost EU market (Kohnert, 2021). However, economists are sceptical about the positive net effect of the deal. Even the British government’s impact assessment suggested a total gain of just 0.02 % in the long run (Giles, 2021).

However, recently the British got amazed about a perceived ‘Corona miracle’. When Boris Johnson confirmed the end of almost all COVID-19 restrictions on 19 July 2021, gloomy forecasts were abounding. Epidemiologist Neil Ferguson from the Imperial College London, a member of the Covid advisory board SAGE, warned that an increase to 100,000 or even 200,000 new infections per day would be almost inevitable (Plickert, 2021). Yet, infections up to now did not increase substantially. On the contrary, at the beginning of August 2021, almost 22,000 new infections were reported and hospital admissions, as well as death, also increased only moderately since July.

Yet, the question remains if the protection by the high vaccination rate of the British will last. Almost 73 % of adults received two doses of the vaccine and 89 % one dose. According to the

British [Office for National Statistics](#) (ONS) in [Newport \(Wales\)](#), nine out of ten adults have antibodies against Covid, either because they have been vaccinated or have recovered.

Graph 3: Post-Brexit UK trade in goods with non-EU countries surpassed that with EU, 1st quarter 2021



Source: [The Guardian](#), Partington, 2021

Graph 4: Confirmed COVID-cases in the UK, March 2020 to August 2021



[UK COVID-19, google news](#). Data Source: John Hopkins Univ.

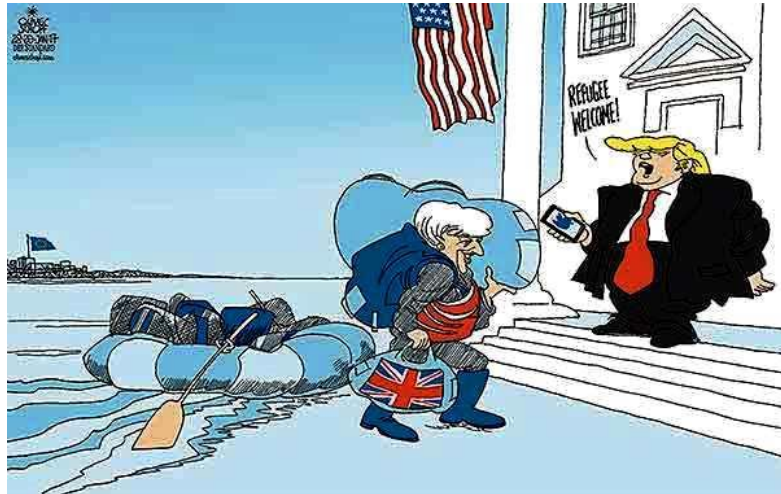
Moreover, the UK is likely to start a marvellous economic recovery. According to IMF forecasts Britain will show one of the world's highest growth rates with about 7 % in 2021. Thus, the pre-COVID-19 crisis level could be reached again by the end of 2021 according to the Bank of England (Plickert, 2021).

In the following, I should like to focus on the combined impact of Brexit and the COVID-19 pandemic on the US and transatlantic relations. The revival of popular economic nationalism and protection like Brexit, Trumpism and the foreclosure of the East-European Visegrád countries against migrants, constitutes a serious threat to [free trade](#) and [free markets](#) worldwide. It will weaken especially the Western hemisphere that up to now upheld, if not guaranteed, [economic liberal](#) positions in world trade. Furthermore, the socio-economic impact of the Corona crisis on the US and transatlantic relations has been devastating far beyond public health. Enhanced transatlantic cooperation to strengthen resilience would be required also in closely related areas of international relations and security issues.

2. Impact of Brexit and the COVID-19 crisis on the USA

2.1 The impact of Brexit on the USA

Cartoon 2: A new era between Great Britain and the U.S. after Brexit?
Theresa May's and Donald Trump's "Special Relationship".



Source: [Oliver Schopf](#), political cartoons Europe ³

The worldwide revival of popular economic nationalism and protection is a serious threat to the internationally shared policy orientation on foreign trade on the principles of a [market economy](#). This preference had generally prevailed since the end of World War II, e.g. concerning the [WTO](#), founded in 1995, its predecessor, the General Agreement on Tariffs and Trade ([GATT](#), 1948), as well as the [OECD](#), established in 1961 by 38 [high-income economies](#). The consensus had been justified by two assumptions of economic theory: first, the [Ricardian theory of comparative advantage](#) and second, a central theorem of [international relations](#), namely the notion that the removal of [trade barriers](#) would promote a positive correlative relationship between economic integration, development and peace (Stacy, 2021).

Popular [economic nationalism](#), like [Trumpism](#) ⁴, [Brexit](#) or the foreclosure of the four East-European [Visegrád](#) countries against immigrants arguably contravenes against the following five fundamental WTO principles :

1. *Non-discrimination*, including the [most favoured nation](#) (MFN) rule and the [national treatment](#) policy, was introduced to tackle [non-tariff barriers to trade](#).
2. *Reciprocity*, to limit the scope of [free-riding](#) and a desire to obtain better access to foreign markets, providing that the gain would be greater than the gain available from [unilateral](#) liberalization.
3. *Binding and enforceable commitments*.
4. *Transparency* through the [Trade Policy Review Mechanism](#) (TPRM)

³ "Refugees welcome! - With Brexit, the UK needs new (old) allies, like the USA. Premier [Theresa May](#) visits [Donald Trump](#) on 28.- 29. January 2017. ----- Cartoon by the Austrian Oliver Schopf who started a successful career as a cartoonist after his studies in Vienna at the Academy of Fine Arts. He is a free-lancer, working for national and international newspapers, magazines and satirical magazines. His work has been represented by the Cartoonists and Writers Syndicate, New York/L.A. (from the [biography](#) of O. Schopf, Vienna, Austria).

⁴ Linscott, Mark (2020): [The Trump administration's plan to upend the WTO](#). Washington D.C.: [Atlantic Council](#), 18 June 2020.

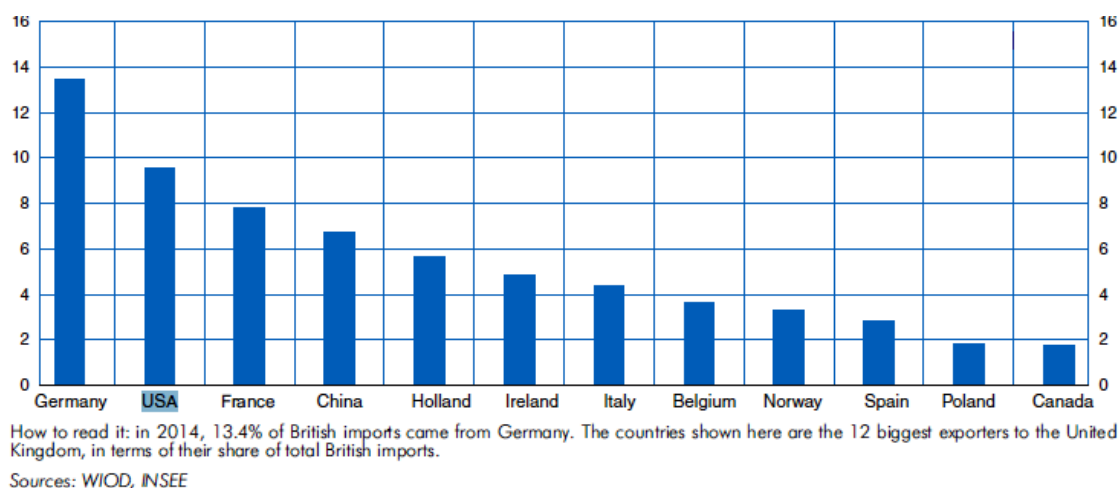
5. *Safety values* applying in specific circumstances to [restrict free trade](#), e.g. to protect the environment and public health ([WTO](#), Wikipedia).

London's Brexit decision and [Donald Trump](#)'s aggressive position toward the WTO (Linscott, 2020) were likely to restrict the free world market consensus. Besides, both encouraged populist political national isolation worldwide (Stacy, 2021).

Britain is a major US trade and economic ally. It is the largest trading partner by country, accounting for 16.7 % of total UK trade, while the EU is its largest overall partner. Moreover, foreign direct investment (FDI) and connected activities are key aspects of bilateral ties (Akhtar et al, 2021). The Brexit required not only a new [EU trade agreement with the UK](#) but also a new US-UK free trade agreement. Britain's withdrawal from the EU caused uncertainty for American firms exporting and operating in the UK, given the high degree of interdependence between EU and UK trade and investment and the role of the UK as a stepping stone to the EU market. Although many American enterprises were relieved that, after years of uncertainty, London and [Brussels](#) had finally avoided a 'hard Brexit' and did not fall back on WTO terms, many US enterprises in Britain had already begun restructuring their operations due to Brexit. Experts expected post-Brexit UK's growth to shrink in the long-term, compared with Britain remaining in the EU, this the more so, because of additional negative effects of the [Corona crisis](#) (Akhtar et al, 2021).

According to a recent evaluation by the [Congressional Research Service](#) (CRS), the UK is likely to remain one of its closest and most reliable allies of the US, a partnership based on common history, values, language and culture. According to the study, Brexit would be unlikely to cause any drastic overhaul of the general British – American relationship. It would continue for the foreseeable future, not only in economic issues, but also concerning [NATO](#), intelligence, counterterrorism, and other global and regional security challenges. Nevertheless, the CRS recognized a controversial debate about the question of whether Britain's global role and impact are likely to be improved or weakened by Brexit. Unlike President Donald Trump, an outspoken supporter of Brexit, former president [Barack Obama](#), as well as current president [Joe Biden](#) and his administration, so far have been sceptical (Mix, 2021). In 2020, Washington and London conducted five rounds of negotiations on a bilateral free trade agreement, the negotiations are ongoing.

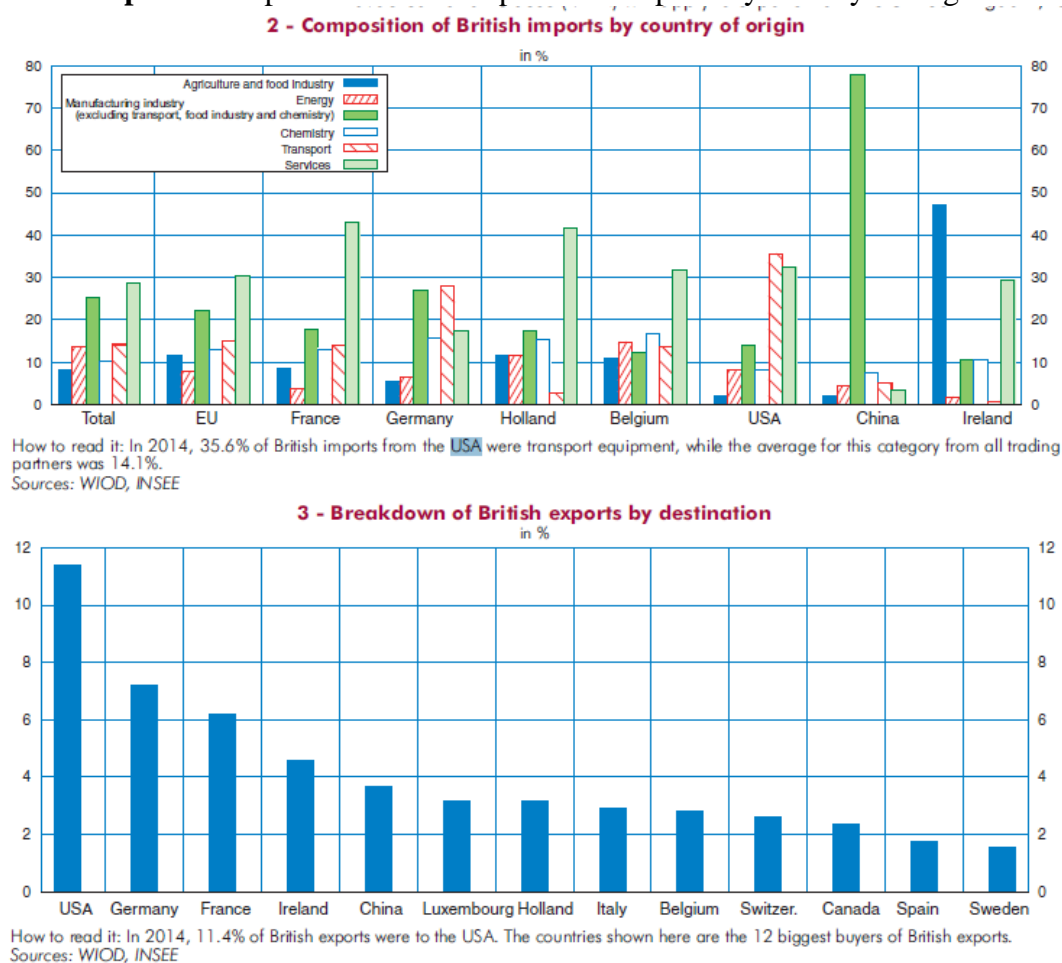
Graph 5: Breakdown of UK imports by country and origin (in %)



Source: Cornuet, F. et al (2019)

As of 30 July 2021, total bilateral UK-US trade in goods and services (exports and imports) was £ 188.1 bn in the year to the end of the first quarter of 2021, a decrease of 17.8 % or £ 40.9 bn from the year before. Total UK exports to the US decreased by 17.7 %, total UK imports by 18.1%. In 2019, the outward stock of FDI from the UK in the US was £ 379.7 bn or 25.3 % of the total British outward FDI stock. The UK inward FDI stock was £ 381.6 bn, or 24.5% of the total inward stock ([Trade and Investment factsheet, USA](#), DIT, London, 2021). British service industries were predominant. They accounted for 80 % of total economic output and more than 80 % of employment. The bilateral UK - US investment relationship is regarded as the biggest in the world. The five leading export destinations in 2019 were the USA, Germany, Netherlands, France and Ireland, the principal five import countries, the USA, Germany, Netherlands, China and France (Mix, 2021).

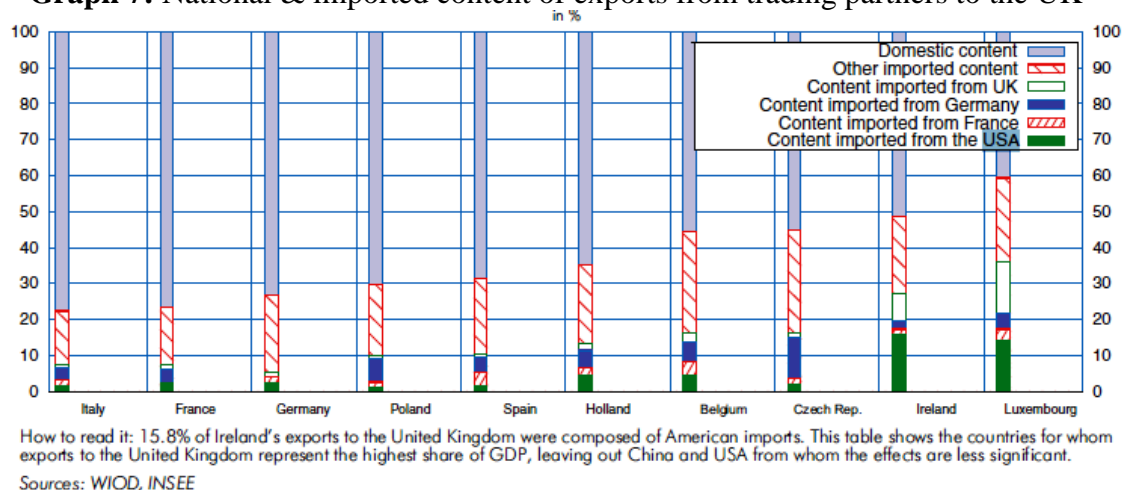
Graph 6: Composition of UK imports and exports by country of origin



Source: Cornuet, F. et al (2019) p. 40

London remained especially ambitious concerning security and defence issues. Britain and America were key partners in terms of defence industry cooperation and defence sales, counterterrorism and intelligence cooperation. Besides, they cooperate through the [Five Eyes alliance](#), an intelligence partnership that includes Australia, Canada, and New Zealand. In 2020, the UK had - with approximately US\$ 61.5 bn - the world's fourth-largest military expenditure (behind the United States, China, and India). (Mix, 2021).

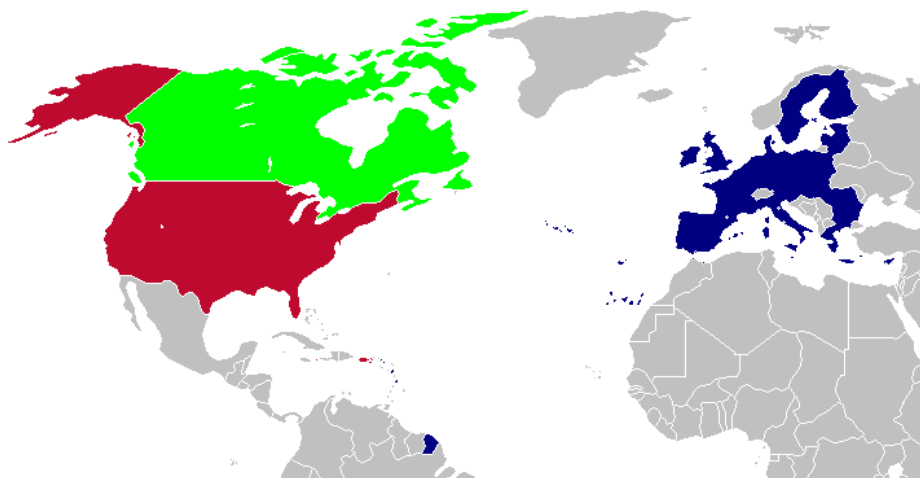
Graph 7: National & imported content of exports from trading partners to the UK



Source: Cornuet, F. et al (2019), p. 41

Even if Brexit would restore Britain's former global importance, the geopolitical conditions have changed fundamentally. The high-flying illusions of the Brexiteers about a revival of the glory of imperial Britain would be difficult to realize. Although visions of '[Global Britain](#)' form a common cultural inheritance, not just of Brexiteers, but of English voters in general, they tend to disregard the consequences of decolonisation (Saunders, 2020).

Graph 8: Trans-Atlantic relations ⁵



Source: [Transatlantic relations](#), Wikipedia

Brexit not just weakened the EU but split and undermined the Western alliance too. This, the more so as the [Trans-Atlantic](#), the centre of global geopolitics for centuries, moved slowly but surely to the [Trans-Pacific](#). Certainly, London saw the writing on the wall and tried to reorientate its foreign policy. One consequence was that the British endorsed the idea of CANZUK, i.e. a union between the UK, and its former 'white settler colonies' Canada, Australia and New Zealand, to replace the lost access to the EU-27 market. The CANZUK was embedded in a vision of the revival of the olden days of Great Britain and its role in the 'Anglosphere', dating back to World War II and 19th-century British settler colonialism. However, it is rather doubtful whether the CANZUK will become the 'titanic success' which

⁵ One possible definition of transatlantic relations. The US (in red), Canada (in green), the EU (before Brexit; in blue). European non-EU states, Latin America and Africa were excluded ([Transatlantic relations](#), Wikipedia).

Boris Johnson promised already in 2016 when he still was minister of foreign affairs (Kohnert, 2021).

Apparently, the centre of Britain's post-Brexit economic and political interests will remain in Europe, last, but not least, because of the implications for Northern Ireland and Scotland. Yet, with the split from the EU London transmitted a seed of contention among Europeans. In fact, it weakened the very foundations of post-war European unification, the partial transfer of national sovereignty to attain a greater mutual impact. But also the remaining EU-27 has changed already substantially with the growth of nationalist populism in an increasing number of member states. In this respect, Brexit was arguably just an accelerant (Bevington, 2021).

Nevertheless, a less ambitious British government, that would not concentrate on the restoration of a post-Brexit (imperial) 'Global Britain', could still play an eminent role in European foreign relations and world politics. Namely, as a powerful permanent member of the UN Security Council and non-partisan mediator in international relations, equipped with a 'robust mandate'. Thereby London should focus on human rights, democratization and development assistance for least developed countries, in profiting from its strong international connections to most of the political leaders of the world.

Last, but not least, the paradoxical consequences of a new exclusive bilateral UK – US trade deal will probably provoke the erection of one of the major single trade barriers in current foreign trade history, quite to the contrary of London's repeated commitment to promoting free trade (Bevington, 2021).

Graph 9: *Trans-Pacific* (TPP-11)



Source: CPTPP / TPP-11, HARAKENZO ⁶,

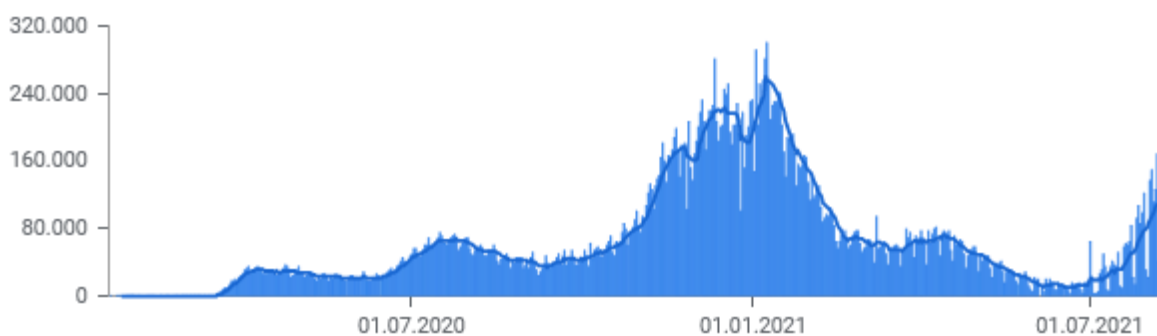
⁶ [Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#), created in January 2018 by its member states: [Australia](#), [Brunei](#), [Canada](#), [Chile](#), [Japan](#), [Malaysia](#), [Mexico](#), [New Zealand](#), [Peru](#), [Singapore](#), and [Vietnam](#). The TPP-11 evolved from the [Trans-Pacific Partnership](#) (TPP), which never entered into force due to the withdrawal of the United States under the Trump government. Other Pacific Rim countries including Korea, Thailand, the Philippines, and Taiwan also have an interest in the TPP Agreement and may participate in the TPP Agreement in the future. Source: Trans-Pacific Strategic Economic Partnership Agreement (TPP Agreement), [HARAKENZO](#), Intellectual Property Information.

What is to be expected from a future bilateral UK – US trade deal? Former President Trump, who was like-minded with the British Premier Johnson, had promised a ‘phenomenal’ post-Brexit deal. But it was by no means clear that Washington would honour the traditional ‘special relationship’ with one of its closest allies and agree to a mutually beneficial treaty. Here too, the maxim ‘*America first*’ prevailed (Ellyatt, 2019). Washington wanted for example substantial access to the protected British agricultural market and to the cherished [National Health Service](#) (NHS) that was to be opened up to American pharmaceutical and medical companies. However, both demands would be to the detriment of British farmers and consumers, e.g. concerning transatlantic differences in product and food standards, and cause vehement protest of the concerned, notably because of the additional impact of the Corona crisis (Beverley-Smith & Jefferies, 2020).

2.2 The socio-economic impact of the COVID-19 crisis on the USA

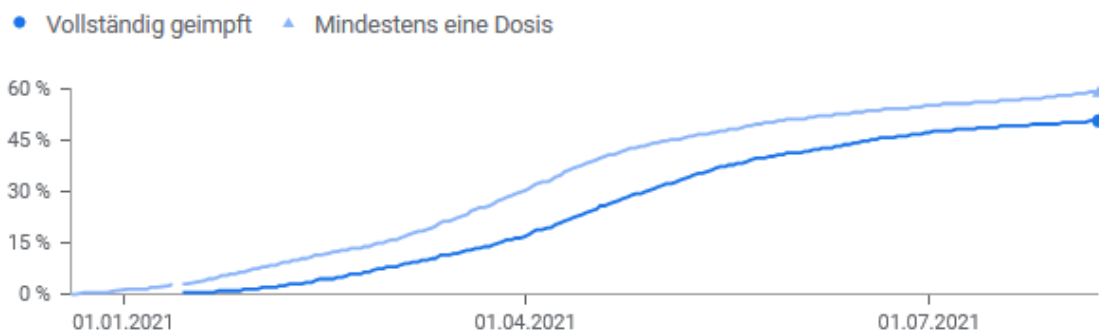
The Corona crisis created not just a public health calamity but an economic emergency too. As of 9 August 2021, there were a total of 35.812.164 COVID-19 confirmed cases, including 616.594 death, as well as 166.477.481 completely vaccinated people (50,5 %) ([USA, COVID-19, google news](#)). Thus, the pandemic claimed more than three times the American lives that were lost in the [Vietnam War](#) (Bauer, 2020). As for the regional distribution the virus spread from the densely populated urban centres to more rural parts of the country. The most death were to be deplored in the South-East, South-West and the Far West (see Tab. 10). Concerning ethnicity, Blacks ([African Americans](#); about 47 million or 14.2% of the total US population) and non-white [Hispanos](#) (1.5 m, 0.5%) had been affected most (see Graph 14).

Graph 10: Confirmed COVID-cases USA, January 2020 to July 2021



[USA COVID-19, google news](#), accessed: 9 August 2021

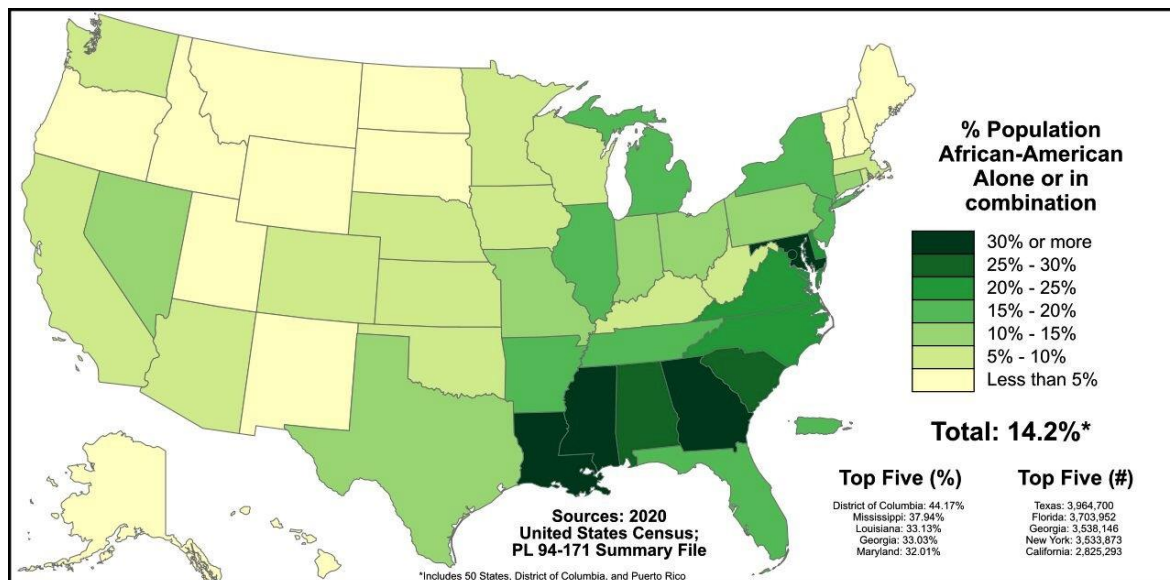
Graph 11: vaccinations USA as % of the total population, January 2021 to July 2021
(dark blue – completely vaccinated; light blue, one dose)



[USA COVID-19, google news](#), accessed: 9 August 2021

According to a scholarly analysis of the potential *economic* impact of the pandemic, the latent three most harmful sectors concerning the economic impact were manufacturing, professional services, as well as leisure and hospitality. The former two sectors showed the most sizable initial shocks according to a model calculation. The latter sector, although smaller in size, contributed roughly the same extent to the total output decrease because of its large initial shock. However, the authors of the analysis cautioned that the explanatory power of the modelling was limited because the impact of price- or wage changes as well as the possibility of failed industries was not considered. For regions in which no industries stopped working, the pandemic was likely to exert – according to the prognosis – a reduction of about 9 % of the sector’s output, whereas the total American GDP fell by an annual rate of 31.7 % in the second quarter of 2020, which corresponded to a 9 % quarterly reduction. The latter corresponded with the data reported by the [Bureau of Economic Analysis](#) (BEA) (Barlow & Vodenska, 2021). In March 2020 there was a sharp initial reduction of economic output, followed by a gradual recovery up to March 2021, reaching the pre-Corona levels.

Graph 12: distribution of African-Americans in the USA



Source: U.S. Census Bureau's American Community Survey 2019; [African Americans](#), Wikipedia

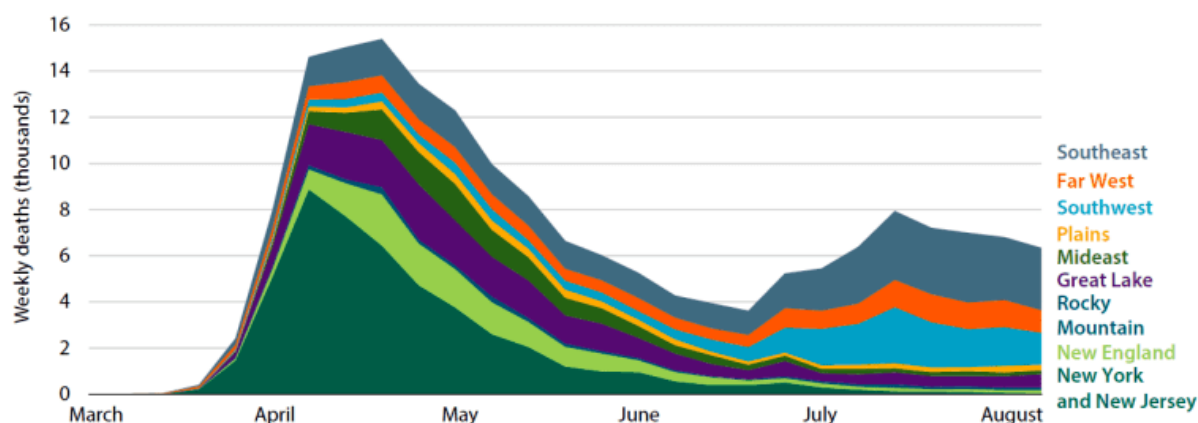
Other things being equal, women and girls were affected disproportionately economically, impacting women’s income, employment, and education chances. Moreover, they were burdened with the mounting pressure of unpaid care for their relatives and last, but not least, they suffered from gender-based violence (Tang, 2021).

According to an analysis of the Brookings Institution, the following ten facts marked the economic impact of the Corona crisis on the US economy in its initial stage (Bauer, 2020):

- (1) Small business revenue was down 20 % since January 2020
- (2) Only chapter 11 bankruptcies had increased relative to 2019
- (3) New business formations fell off in the spring but were on track to outpace recent years
- (4) Layoffs and shutdowns – and not reduced average hours – were driving in total hours worked

- (5) The number of labour force participation not at work quadrupled from January to April 2020
- (6) The number of people not in the labour force who wanted a job spiked by 4.5 m in April and remained elevated
- (7) In April 2020 the U.S. personal savings rate reached its highest recorded level
- (8) Low-income families with children were most likely to experience an income shock
- (9) In 26 states, more than one in five households was behind on rent in July 2020
- (10) From 2018 to mid-2020, the rate of food insecurity doubled for households with children.

Graph 13: COVID-19 weekly death by US region, March to August 2020



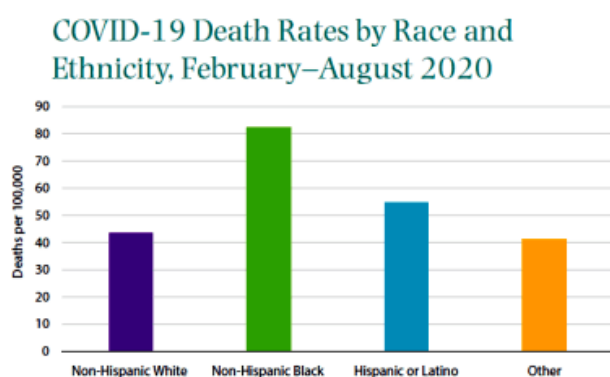
Source: USA Facts 2020; authors' calculations.

Note: Data represent the number of deaths reported to be caused by COVID-19, on a weekly basis. Data are shown from February 23, 2020, to August 29, 2020. Each region was calculated using included deaths by county, as well as unallocated deaths in each state. The states are ordered by date of peak: New York/New Jersey (Week 16), New England (Week 17), Rocky Mountain (Week 17), Great Lakes (Week 18), Midwest (Week 19), Plains (Week 19), Southwest (Week 21), Far West (Week 22), Southeast (Week 23).

THE HAMILTON PROJECT
BROOKINGS

Source: Bauer, et al, 2020

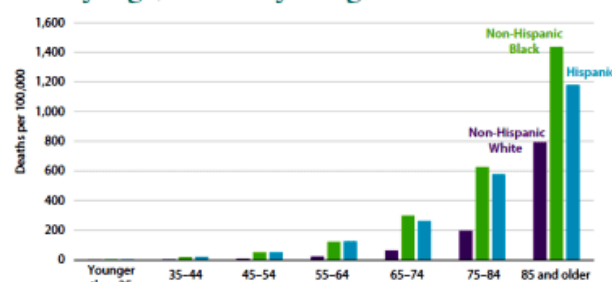
Graph 14: COVID-19 death rates by race, ethnicity and age, February to August 2020



Source: CDC 2020a; Bureau of Labor Statistics (BLS; Current Population Survey [CPS] 2019; authors' calculations.

Note: Data for U.S. population shares are for 2019. Data for COVID-19 deaths are from February 1, 2020 to August 22, 2020.

COVID-19 Death Rates by Race and Ethnicity and by Age, February–August 2020



Source: CDC 2020a; BLS (CPS) 2019; authors' calculations.

Note: Data for U.S. population and age shares are for 2019. Data for COVID-19 deaths are from February 1, 2020 to August 22, 2020.

THE HAMILTON PROJECT
BROOKINGS

Source: Bauer, et al, 2020

3. Impact of Brexit and Corona crisis on the transatlantic Partnership

3.1 The impact of Brexit on the transatlantic Partnership

Cartoon 3: „A Post-Brexit world“



Source: [Chappatte](#) in *The International New York Times*, 6 July 2016 ⁷

Brexit will cause in the medium and long term a major negative shock, not just to the UK and EU. Also, the EU 27 might play a new role in the debate over, and practice of, the reform of world order after Brexit (Higgott R. (2021). Already for a long time, the EU had a growing interest and engagement not only in China but with North-East Asia as a whole, driven by the post-colonial commitments of the UK and France and the mainly commercial interests of Germany. Moreover, Washington exerts increasing pressure on the EU to take sides in its rising tensions with China. Therefore, also China's neighbours have been watching closely how London and Brussels respond to the US demand and how they manage their future relations with the region (Higgott R. (2021).

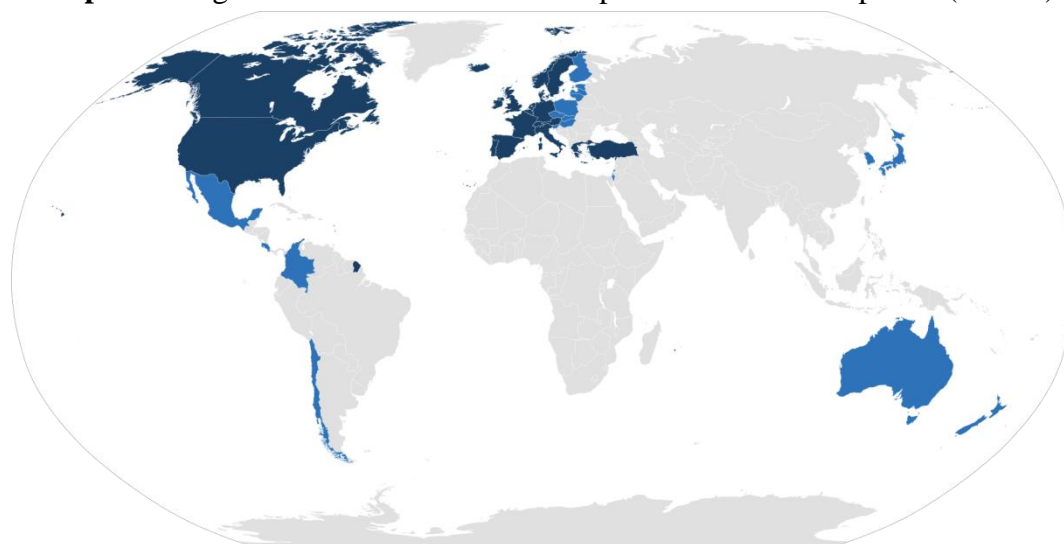
The political and economic fallout of Brexit will affect the rest of the [OECD](#) too, including the USA, although to a much lesser extend. Traditionally, Britain has been used as a gateway or stepping stone for American businesses intending to trade or invest in the EU. Brexit will force many US companies to pay double tariffs on goods exported to the UK and then re-exported to the EU (GoCardless, 2020).

However, Brexit might reveal as a driver of populist nationalism and a Balkanization of post-Brexit Europe and beyond, including authoritarianism and illegitimate interference into the political electoral process. Because of a possible domino effect, more and more

⁷ Chappatte Cartoons @PatChappatte - 'Patrick Chappatte is an editorial cartoonist working for *The Boston Globe* (USA), *Der Spiegel* (Germany), *le Canard enchaîné* (France), *Le Temps* and *NZZ am Sonntag*. (Switzerland). For 20 years, he was a cartoonist for the *International Herald Tribune* and *The New York Times*. He is also a pioneer of graphic journalism, or comics journalism, and the promoter of collaborative projects promoting cartooning as a tool of dialogue all over the world' ([About Chappatte](#), Homepage).

voters, notably the deprived and those threatened by the loss of social and economic status accelerated by the predicted Brexit induced economic downturn, could develop a mounting distrust of the political establishment. Then they become easy prey for gamblers like Donald Trump or Marine Le Pen who offer them facts and fancy, thereby undermining the very conditions of social, economic and political stability, a vicious circle, difficult to stop (Foroohar, 2016). If the EU, one of the world's largest trading blocs, is gradually disintegrating, this could have repercussions on trade deals worldwide and promote global uncertainty (Gillespie, 2016).

Graph 15: Organisation for Economic Co-operation and Development (OECD)



[OECD](#) member states. [dark blue]; founding member states, [light blue]

Source: [OECD](#), Wikipedia

Last, but not least, Brexit might trigger self-interested and closed off national policies not only in the UK but also e.g. in Eastern Europe. This could result, similar to Trump's approach to international affairs, in a radicalization of political partisanship, denying climate change, cancelling the membership in the [Paris Climate Agreement](#), withdrawal from the WHO and negotiations about a nuclear deal with Iran (James, 2020).

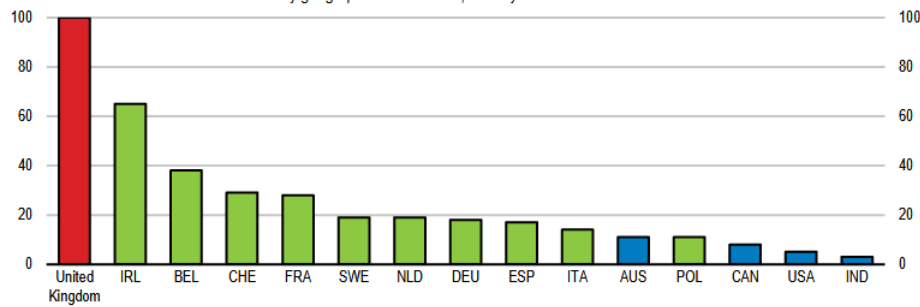
Besides, Europeans cannot hope for a return to the transatlantic security partnership of yesterday. Washington's call for increased burden-sharing concerning [NATO](#) and more European strategic autonomy won't cease (James, 2020). However, this corresponds also to the conservative nationalistic European security policy which has been implemented already in the French-led [European Intervention Initiative](#), the British-French [Combined Joint Expeditionary Force](#) and the [UK Joint Expeditionary Force](#) (James, 2020).

Finally, Brexit could affect the migration of American's into the UK negatively. New immigration rules for non-UK nationals are likely to cause difficulties for any US companies with branches in the UK and the EU-27 (GoCardless, 2020). Before Brexit, US immigrants had raised British GDP growth significantly (Kierzenkowski et al 2016). They had higher employment rates and also a better education than the average British employee. Also, they contributed to the public finances, despite relying on the British welfare system, with a net fiscal contribution of almost € 10,000 per household on average (2007-2009) ⁸.

⁸ Average net direct fiscal contribution of households by migration status of the household head, 2007-2009 average, EUR (PPP adjusted) thousand

Graph 16: Brexit spillovers on USA trade ⁹

Volume index by geographical distribution, country with most searches = 100¹



StatLink <http://dx.doi.org/10.1787/888933351033>

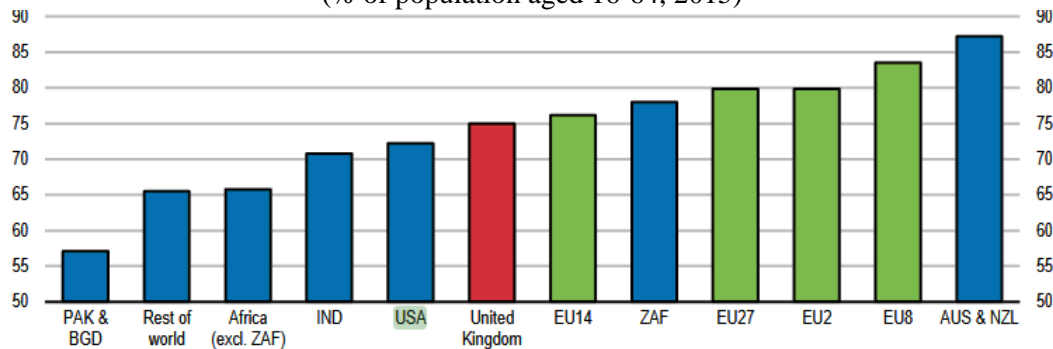
1. Adjusted for population size.

Source: Google Trends.

Source: Kierzenkowski et al 2016

Graph 17: US immigrants employed in the UK

(% of population aged 16-64, 2015)



Source: Kierzenkowski et al 2016

As for the stagnant [TTIP](#) negotiations, the [Council of the European Union](#) had granted the [European Commission](#) two negotiating mandates on April 15, 2019. First, to (re) start negotiations with the USA on an agreement on the elimination of tariffs on industrial products and an agreement on conformity assessment. Second, to sound areas of trade policy in which EU-US cooperation would be particularly effective given joint communications for a new transatlantic agenda presented after the last US elections by the [EU-COM](#) and the European External Action Service ([EEAS](#)) on December 2, 2020 ¹⁰.

According to the president of the German Institute for Economic Research ([DIW](#), Berlin), [Marcel Fratzscher](#), a replacement for the failed TTIP agreement would strengthen Europe's position vis-à-vis China. In close consultations with Washington, Brussels should come to an agreement with the new US administration on how to deal with China. Therefore, the EU should rely on a new trade agreement with the USA in which the EU agrees on common standards that would then be globally binding. The best strategy for Europe would be to assert its interests in global system competition in a strong transatlantic partnership (DIE ZEIT, 2021).

⁹ Related to Google searches for “Brexit” since October 2015.

¹⁰ BMWE (2021): [Freihandelsabkommen](#), Bonn: [Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung](#); accessed: 9 August 2021.

Graph 18: potential Trans-Atlantic Trade and Investment Partnership (TTIP)
USA and EU-27



Source: [Ssolbergj](#), [TTIP](#) (Wikipedia)

3.2 The socio-economic impact of the COVID-19 crisis on the transatlantic Partnership

The COVID-19 pandemic has been characterized by European leaders as Europe's biggest challenge since the Second World War (Archick et al, 2021). Although it did not affect transatlantic relations directly, it added political divergences to already existing grievances and tensions, e.g. on the International Criminal Court, the Paris Climate Agreement, the nuclear deal with Iran and the relocation of the US embassy in Israel from Tel Aviv to Jerusalem (Arvanitopoulos, 2020). The corona not only intensified nationalist and protectionist policies but fuelled also the geopolitical rivalry between the global players China and America (Schmucker, 2020).

Trump's unlawful withdrawal from the WHO (Gostin, 2020) on May 29, 2020, fortunately, revoked later on by [Joe Biden](#), as well as his refusal to join an international vaccine effort of more than 170 nations, endangered not only the health and security of Americans but of the whole world, given the limitations of nationalist answers to the global spread of the pandemic. Instead, to overcome the pandemic, the US and EU should develop a transatlantic strategy to guarantee an early containment and alleviation of the crisis, notably because of a current fourth wave of the COVID-19 pandemic. Because the global spread of the virus is entangled inextricably with a response to other security challenges, like international migration and poverty alleviation, notably in Africa, this requires even stronger cooperation and a renewed sense of transatlantic solidarity between the two sides of the Atlantic (Arvanitopoulos, 2020). President Biden already pledged to enhance US-EU cooperation to defeat the pandemic and announced to contribute up to US\$ 4 bn for [COVAX](#), a worldwide WHO-led initiative aimed at equitable access to COVID-19 vaccines also in developing countries (Archick et al, 2021).

Massive transshipping global problems, including the Transatlantic, seriously affected transatlantic retail trade. The pandemic lockdown suspended and reduced many economic activities and subsequently the volume of cargo being carried aboard container ships on the

North American and European retail trade (Valentine, 2020). Moreover, the already chaotic global container shipping market was hit since 12 August 2021, by the Corona induced suspension of container pick-up services at Zhoushan Port, the world's largest port in terms of cargo throughput. Also many major ports worldwide had been captured by the Delta variant virus and almost lost their ability to operate or risked trade abandonment like Chittagong, Bangladesh, responsible for more than 70 % of Bangladesh's cargo import and export. The same happened in other major South East Asian ports. Also, the US shipment was increasingly affected and the already extremely fragile global supply chain, e.g. in electronic chips, was burning hot.

The socio-economic impact of the pandemic on the EU and the US has been devastating. It had far-reaching political, social, and economic consequences beyond public health (Archick et al, 2021). Both partners need each other more than ever to cope with the covid crisis. Enhanced transatlantic cooperation to strengthen resilience would be required also in closely related areas of international relations, namely by an EU–US and UK–US trade agreement, a Visa Waiver Program, guarantees of Europe's energy security, 5G technology and a joint EU-US approach vis à vis China (Carafano et al, 2020).

Conclusion

Economists and economic literature agree that Brexit is likely to harm the UK's economy, including a significant decrease in the UK's real per capita income in the medium and long run. In contrast, proponents of the withdrawal of the UK from the EU, like Premier [Boris Johnson](#), promise a glorious future and a '[titanic success](#)'. Whether Brexit will also impact '[Global Britain in a Competitive Age](#)', including its former colonies, is open to question as well. London continued to follow its high flying ambitions, not just concerning the [CANZUK union](#), meant to replace the lost EU-market access, but also vis à vis India and other big global players of the Commonwealth as well as the USA. However, the prospects of these ambitious projects are questionable.

A particularly sensible case is the combined impact of Brexit and the COVID-19 pandemic on the US and future transatlantic relations. From a global perspective, the problem is less the socio-economic impact on individual countries and relations concerned, e.g. the UK, EU, US and the Transatlantic, but the overall geopolitical repercussions of Brexit in times of the Corona crisis. The US, the UK and the Western alliance, in general, run the risk of losing their vested global political and economic influence hitherto focussed on the Transatlantic. Given the fierce competition between major global players like the US, UK, EU and China, Brexit reinforces already existing tendencies that redounds to the advantage of a shift of their traditional hegemony in the sphere of transatlantic relations to the [Asian-Pacific](#) realm of power. Brexit thus may trigger a domino effect of populist nationalism in the West that will weaken in the medium and long run its geopolitical power position.

In short, Brexit is likely to harm not only the British. The post-Brexit impact on the US and transatlantic relations will be negative too, but probably only be felt in the medium and long term as well. However, the direct and indirect negative effects of the global COVID-19 crisis will by far outdo the Brexit impact.

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Résumé: Le renouveau mondial du nationalisme économique et du protectionnisme constitue une menace sérieuse pour l'orientation de la politique internationale du commerce extérieur vers les principes de l'économie de marché de l'OMC. Les économistes s'accordent à dire que le Brexit nuira considérablement à l'économie britannique à moyen et long terme. En outre, ses effets politiques et économiques endommageront également les États-Unis et les relations transatlantiques. Le Premier ministre britannique Boris Johnson, quant à lui, continue d'affirmer que la sortie de l'UE permettra à la Grande-Bretagne de « reprendre le contrôle ». De plus, les effets socio-économiques de la COVID-19 pandémie sur les États-Unis, la Grande-Bretagne, l'UE et les relations transatlantiques sont dévastateurs. Elle a des conséquences politiques, sociales et économiques de grande envergure qui vont bien au-delà de la santé publique. Tous les partenaires ont plus que jamais besoin les uns des autres pour faire face à la crise du Covid. Une plus grande coopération transatlantique pour renforcer la résilience serait également nécessaire dans des domaines étroitement liés des relations internationales et des questions de sécurité.

Zusammenfassung : Die weltweite Wiederbelebung des wirtschaftlichen Nationalismus und des Protektionismus stellt eine ernsthafte Bedrohung für die international außenwirtschaftspolitische Orientierung an den Prinzipien der Marktwirtschaft dar. Populärer Wirtschaftsnationalismus wie Trumpismus, Brexit oder die Abschottung der osteuropäischen Visegrád-Staaten gegen Einwanderer verstößt gegen grundlegende Prinzipien der WTO. Die Ökonomen sind sich einig, dass der Brexit der britischen Wirtschaft mittel und langfristig erheblich schaden wird. Darüber hinaus werden seine politischen und wirtschaftlichen Auswirkungen auch den USA und den transatlantischen Beziehungen schaden. Der britische Premier Boris Johnson behauptet dagegen nach wie vor, dass der Austritt aus der EU Großbritannien in die Lage versetzen wird, „die Kontrolle zurückzugewinnen“. Außerdem sind die sozioökonomischen Auswirkungen der Corona-Krise auf die USA, Großbritannien, die EU und die transatlantischen Beziehungen verheerend. Sie hat weitreichende politische, soziale und wirtschaftliche Folgen, die weit über die öffentliche Gesundheit hinausgehen. Alle Partner brauchen einander mehr denn je, um die Covid-Krise zu bewältigen. Auch in eng verwandten Bereichen der internationalen Beziehungen und Sicherheitsfragen wäre eine verstärkte transatlantische Zusammenarbeit zur Stärkung der Resilienz erforderlich.